



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

April 6, 2007

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lincoln County, Mississippi

In planning and performing our audit of the financial statements of Lincoln County, Mississippi for the year ended September 30, 2005, we considered Lincoln County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control. Our opinions on the financial statements have been previously submitted to you in a separately issued document dated March 20, 2006.

In addition, for areas not considered material to Lincoln County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. The fieldwork for these review procedures and tests was completed on July 10, 2006. Our procedures and tests were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 20, 2006, on the financial statements of Lincoln County, Mississippi.

However, because of the reduced scope, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

No additional compensation in the form of overtime pay or compensation time may be paid to employees unless there was a policy authorizing such payment spread upon the Board of Supervisor's minutes and in effect when the extra work was done. The county does not have a policy that allows the payment of compensation time. As reported in the last two years' audit reports, the county paid employees compensation time upon separation from employment with the county. During the fiscal year ended September 30, 2005, a payment was made to an employee upon separation of service in the gross amount of \$13,533.94 for 792.85 comp hours.

Recommendation

The Board of Supervisors should not pay employees for compensation time unless there is a county policy authorizing such payment.

Board of Supervisors' Response

The Board of Supervisors and their Attorney are currently drafting a new Personnel Policy to include compensatory time authorization.

2. Finding

Section 19-11-19, Miss. Code Ann. (1972), requires that any revisions to the budget be made during the fiscal year that is affected. The Board of Supervisors did not amend the fiscal year ended September 30, 2005 budget until January 3, 2006. The failure to amend the budget during the current fiscal year resulted in actual expenditures exceeding the budgeted amounts, which is a violation of Section 19-11-17, Miss. Code Ann. (1972).

Recommendation

The Board of Supervisors should amend the budget during the fiscal year that is affected.

Board of Supervisors' Response

The amended budget will be reflected in the September board minutes each year.

3. Finding

Section 19-11-7, Miss. Code Ann. (1972), requires the Board of Supervisors to publish the county's annual budget at least once during August or September, but not later than September 30 of the year in a newspaper published in the county. The county's annual budget for fiscal year 2006 was not published by September 30. Also, as of March 30, 2007, the county's annual budget for fiscal year 2006 has not been published.

Recommendation

The Board of Supervisors should publish the annual budget by September 30 of each year.

Board of Supervisors' Response

We will get a proof of publication each year to verify that the budget was published in the local newspaper.

Chancery Clerk.

4. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. As reported in the prior year audit report, the following duties were not performed:

- a. The quarterly report from the State Treasurer was not reconciled to the county's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.
- c. The annual report was not submitted to the State Treasurer.

Without accurate and timely reconciliation of the quarterly reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly, the annual report is submitted by October 31st and the bank is notified when appropriate.

Chancery Clerk's Response

The Clerk's Office has not been aware of this responsibility. Clerk's Office will adhere to the finding of quarterly reporting, bank notification and annual reporting.

5. Finding

Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.

The 2003 audit report was released on December 21, 2004. The 2004 audit report was released on December 16, 2005. The State Auditor has not received a synopsis for the 2003 audit report or the 2004 audit report.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report when the report is received, and forward the synopsis to the State Auditor.

Chancery Clerk's Response

Clerk understands the responsibility of audit publishing and will correct the finding.

6. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of Chancery Clerks to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. Public Employees' Retirement System contributions for the benefit of the Chancery Clerk in the amount of \$10,105 for the 2004 calendar year and \$5,017 for the 2005 calendar year were deducted against income and are not valid Schedule C expenses. Claiming expenses that are not allowable caused the salary limit to be exceeded. Amounts over the salary limitation should be paid to the General Fund of the county.

Recommendation

The Chancery Clerk should pay the amount of the disallowed expenses to the General Fund of the county. An amended report should be filed for 2004 and 2005 with both the Office of the State Auditor and the Public Employees' Retirement System.

Chancery Clerk's Response

Clerk will pay disallowed expenses to General Fund.

Auditor's Note

The Chancery Clerk repaid \$15,122.23 to the General Fund on March 6, 2007, as evidenced by receive warrant number 12791.

7. Finding

The Chancery Clerk employs deputies whose payroll is processed with the county's payroll. The Chancery Clerk has been reimbursing the county for his deputies' salaries after the actual payroll date, instead of paying in advance. The county received reimbursement for the salaries only twice during the year, which was in September 2005 and December 2005. This procedure effectively allows the Chancery Clerk to receive an interest free loan from the county. Also, this procedure caused a deficit cash balance in the Chancery Clerk Payroll Clearing Fund throughout the year.

The Chancery Clerk paid his employees through the Chancery Clerk Payroll Clearing Fund and is personally responsible to repay the cash deficit in the fund.

Recommendation

The Chancery Clerk should pay the county for his deputies payroll in advance of the actual payroll date. The Chancery Clerk should repay to the county the deficit cash balance in the amount of \$18,565.71 reflected in the Chancery Clerk's Payroll Fund at March 1, 2007.

Chancery Clerk's Response

Clerk will adhere to recommendation to audit finding.

Auditor's Note

The Chancery Clerk repaid \$18,565.71 to the Chancery Clerk Payroll Clearing Fund on March 6, 2007, as evidenced by receive warrant number 12790.

Circuit Clerk.

8. Finding

The Circuit Clerk employs deputies whose payroll is processed with the county's payroll. The Circuit Clerk has been reimbursing the county for her deputies' salaries after the actual payroll date, instead of paying in advance. The county received reimbursement for the salaries only twice during the year, which was in September 2005 and December 2005. This procedure effectively allows the Circuit Clerk to receive an interest free loan from the county. Also, this procedure caused a deficit cash balance in the Circuit Clerk Payroll Clearing Fund throughout the year.

The Circuit Clerk paid her employees through the Circuit Clerk's Payroll Fund and is personally responsible to repay the cash deficit in the fund.

Recommendation

The Circuit Clerk should pay the county for her deputies payroll in advance of the actual payroll date. The Circuit Clerk should repay to the county the deficit cash balance in the amount of \$4,078 reflected in the Circuit Clerk's Payroll Fund at March 1, 2007.

Circuit Clerk's Response

I admit. I will comply.

Auditor's Note

The Circuit Clerk repaid \$4,078 to the Circuit Clerk Payroll Clearing Fund on March 6, 2007, as evidenced by receive warrant number 12789.

9. Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of Circuit Clerks to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. We did not receive needed documents to perform an audit of the Circuit Clerk's 2005 annual financial report. Therefore, the annual financial report was not audited. We were unable to verify revenues reported and expenses deducted on the annual financial report. Failure to maintain supporting journals and records could cause the annual financial report to be misstated.

Recommendation

We recommend that documentation supporting the annual financial report be made available for audit review.

Circuit Clerk's Response

I admit. I will comply.

Former Sheriff.

10. Finding

Effective controls over the accounting of cash include monthly reconciliations of the bank account to the cash journal book balance. The bank statements were not reconciled to the cash journal for the entire year. The failure to implement controls over cash could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure the bank statement is reconciled to the cash journal book balance on a monthly basis.

Former Sheriff's Response

Former Sheriff James Wiley Calcote resigned on September 12, 2006 and was not available to provide a response.

11. Finding

An effective system of internal control over the inmate canteen account should include reconciling the individual inmate accounts to the activity in the canteen account. The inmates' accounts are not reconciled to the cash balance in the canteen fund. The failure to reconcile inmate accounts could lead to loss or misappropriation of inmate funds.

Recommendation

The Sheriff should ensure the canteen bank account is reconciled to current inmate balances on a monthly basis.

Former Sheriff's Response

Former Sheriff James Wiley Calcote resigned on September 12, 2006 and was not available to provide a response.

12. Finding

Section 19-3-25, Miss. Code Ann. (1972), requires the Sheriff or a deputy to attend all meetings of the Board of Supervisors. As noted in the board minutes, the Sheriff or a deputy did not always attend the meetings of the Board of Supervisors.

Recommendation


The Sheriff or a deputy should attend all meetings of the Board of Supervisors.

Former Sheriff's Response

Former Sheriff James Wiley Calcote resigned on September 12, 2006 and was not available to provide a response.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.


PHIL BRYANT
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